

Public Employee Retirement System

Analyst: Smith

Historical Summary

OPERATING BUDGET	FY 2019 Total App	FY 2019 Actual	FY 2020 Approp	FY 2021 Request	FY 2021 Gov Rec
BY PROGRAM					
Retirement Administration	7,218,300	6,823,500	7,738,600	8,393,200	8,105,800
Portfolio Investment	893,400	791,200	1,058,300	1,200,000	1,069,400
Total:	8,111,700	7,614,700	8,796,900	9,593,200	9,175,200
BY FUND CATEGORY					
Dedicated	8,111,700	7,614,700	8,796,900	9,593,200	9,175,200
Percent Change:		(6.1%)	15.5%	9.1%	4.3%
BY OBJECT OF EXPENDITURE					
Personnel Costs	5,135,500	4,863,300	5,417,100	6,131,800	5,877,800
Operating Expenditures	2,805,700	2,597,000	2,842,300	3,009,700	2,845,700
Capital Outlay	170,500	154,400	537,500	451,700	451,700
Total:	8,111,700	7,614,700	8,796,900	9,593,200	9,175,200
Full-Time Positions (FTP)	68.00	68.00	69.00	73.00	73.00

Division Description

The mission of the Public Employee Retirement System of Idaho (PERSI) is to provide members and their beneficiaries with reliable, secure, long-term retirement, survivor, and disability benefits as specified by law, and to assist members in planning a secure retirement by providing high quality, friendly service, retirement education, and information. Public employees and employers make contributions to PERSI. In order to maximize the return on investment of these contributions, only a minimum amount of money is kept on deposit with the State Treasurer. The total source of funds held by the PERSI trust at the master custodian bank is made up of contributions and investment earnings. Money is wired from PERSI's master custodian bank only when funds are needed to pay administrative expenses or other authorized expenses. All moneys transferred to the Administrative Fund are available to the PERSI Board of Directors for the payment of administrative expenses only to the extent so appropriated by the Legislature.

The RETIREMENT ADMINISTRATION program administers the PERSI Base Plan, a defined benefit retirement plan, that is mandatory for all eligible state and school district employees, and for employees of political subdivisions which have elected to participate, and provides separation, disability, death, and survivor benefits. PERSI also administers the Sick Leave Reserve Fund for state and school district retirees, from which monthly medical insurance premiums are paid, as well as the former Firemen's Retirement Fund and the Idaho Falls and Boise City Police Retirement Funds.

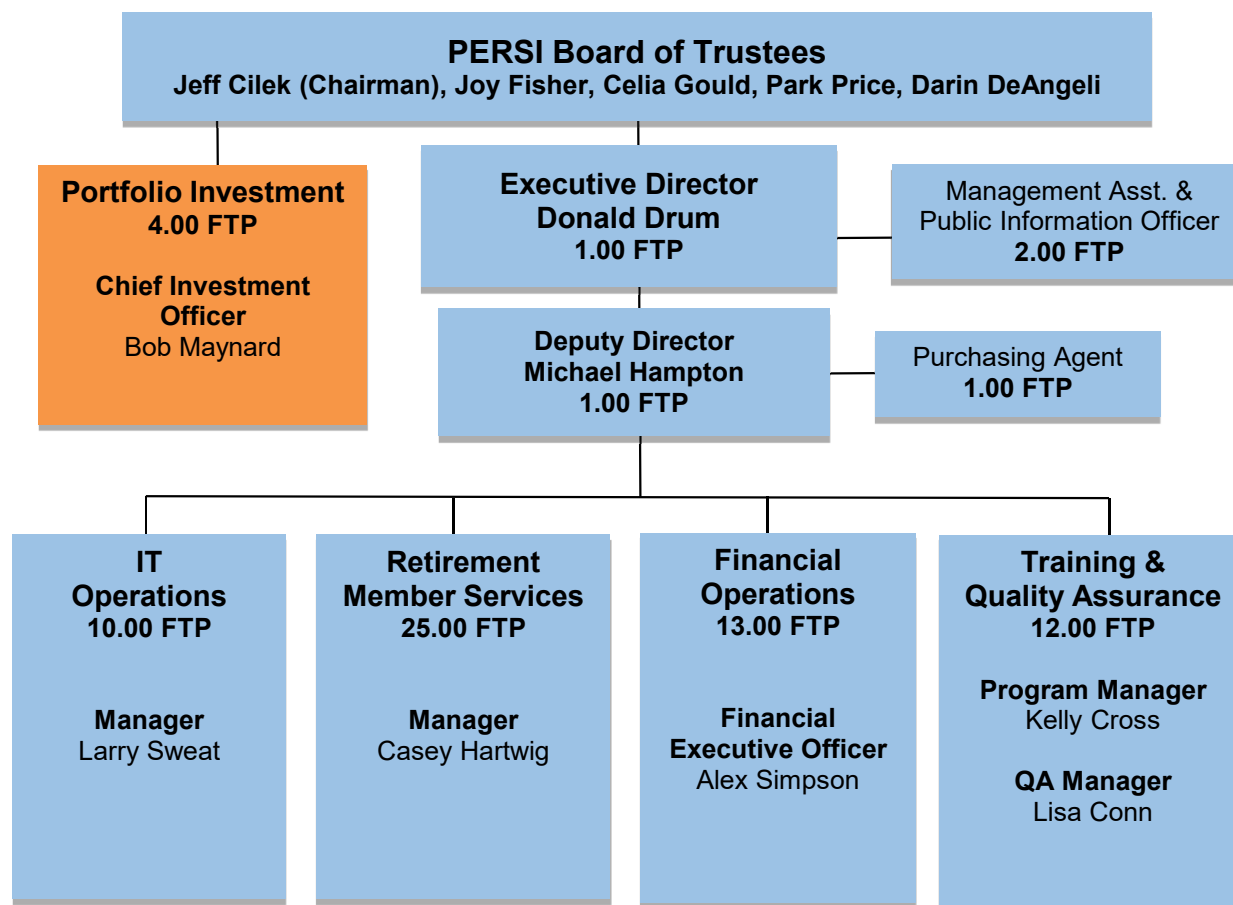
The PERSI Choice Plan is a defined contribution retirement plan which provides a 401(k) plan option to all eligible active PERSI members in addition to, and separate from, the defined benefit plan. PERSI established the PERSI Choice Plan as part of the gain sharing program adopted by the 2000 Legislature.

The PORTFOLIO INVESTMENT program is responsible for the management of PERSI assets to ensure secure long-term returns on investments while minimizing investment costs. Administrative costs of the portfolio investment come under a fixed appropriation and the remaining investment costs continue to operate under a perpetual appropriation as provided in Section 59-1311, Idaho Code. Although this section provides that all moneys in this program are perpetually appropriated, pursuant to Section 67-3514, Idaho Code, the Joint Finance-Appropriations Committee appropriates certain administrative expenses and portfolio-related administrative expenses. All other funds are perpetually appropriated and are used as directed by the PERSI Board.

The Judges Retirement Fund (JRF) is perpetually appropriated to pay retired justices and judges and the allowances to surviving spouses (Section 1-2002, Idaho Code). The JRF was moved into PERSI beginning in FY 2015; previous administration of the fund was under the Judicial Branch. Currently, the JRF has approximately 150 active and retired members.

Public Employee Retirement System Organizational Chart

Analyst: Smith



Total Authorized FTP: 69.00
Vacant FTP: 4.00
(as of 12/1/2019)

Performance Report can be found here:
<https://dfm.idaho.gov/publications/bb/perfreport/>

Cases Managed and/or Key Services Provided	FY 2016	FY 2017	FY 2018	FY 2019
DB Plan Benefits Paid (millions)	\$850.5	\$884.6	\$928.6	\$938.5
DB Plan Assets (millions)	\$14,341.7	\$15,838.6	\$16,713.1	\$17,702.4
Return on Investments	1.9%	12.7%	8.7%	8.4%
PERSI Services				
Retirement Estimates Calculated	19,819	10,473	8,503	9,089
Separation Benefits Paid (Cashed Out)	3,280	2,294	2,142	2,144
Members Receiving Retirement Education	6,617	6,966	6,563	10,743
Retirement Applications Processed	2,773	2,189	2,639	2,626
Disability Applications Processed	163	112	130	118
Employer Payroll Reports Processed	17,006	20,116	17,280	17,894

Red Tape Reduction Act

Each agency shall incorporate into its strategic plan a summary of how it will implement the Red Tape Reduction Act, including any associated goals, objectives, tasks, or performance targets. This information may be included as an addendum.

	As of July 1, 2019
Number of Chapters	9
Number of Words	35,010
Number of Restrictions	368

Part II – Performance Measures

Performance Measure		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Maintain an organizational structure that supports consistent, effective, and accountable operations.						
1. Percent of retirees who receive their first annuity payment on their scheduled retirement date	actual	94.0%	94.0%	94.0%	94.0%	-----
	target	95%	95%	95%	95%	95%
2. Number of business days to produce a written benefit estimate after a request is received	actual	5	12.7	7.5	9.0	-----
	target	7	7	7	7	7
3. Number of days to produce a separations benefit after receipt of final salary via transmittal	actual	7	11.5	9.7	7.4	-----
	target	7	7	7	7	7
4. Average number of days after receipt to process employer transmittals	actual	3.0	2.1	1.9	2.1	-----
	target	3	3	3	3	3

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FY 2019 Actual Expenditures by Division

			FTP	PC	OE	CO	T/B	LS	Total
0.30	FY 2019 Original Appropriation								
	0550-01	Ded	64.00	4,414,100	2,589,200	152,500	0	0	7,155,800
	0550-02	Ded	3.00	659,900	215,500	18,000	0	0	893,400
	0560-00	Ded	1.00	61,500	1,000	0	0	0	62,500
	Totals:		68.00	5,135,500	2,805,700	170,500	0	0	8,111,700
1.00	FY 2019 Total Appropriation								
	0550-01	Ded	64.00	4,414,100	2,589,200	152,500	0	0	7,155,800
	0550-02	Ded	3.00	659,900	215,500	18,000	0	0	893,400
	0560-00	Ded	1.00	61,500	1,000	0	0	0	62,500
	Totals:		68.00	5,135,500	2,805,700	170,500	0	0	8,111,700
1.61	Reverted Appropriation								
	0550-01	Ded	0.00	(241,300)	(150,300)	(1,500)	0	0	(393,100)
	0550-02	Ded	0.00	(29,300)	(58,300)	(14,600)	0	0	(102,200)
	0560-00	Ded	0.00	(1,600)	(100)	0	0	0	(1,700)
	Totals:		0.00	(272,200)	(208,700)	(16,100)	0	0	(497,000)
2.00	FY 2019 Actual Expenditures								
	0550-01	Ded	64.00	4,172,800	2,438,900	151,000	0	0	6,762,700
	PERSI Administrative			4,172,800	2,438,900	151,000	0	0	6,762,700
	0550-02	Ded	3.00	630,600	157,200	3,400	0	0	791,200
	PERSI Special			630,600	157,200	3,400	0	0	791,200
	0560-00	Ded	1.00	59,900	900	0	0	0	60,800
	Judges' Retirement			59,900	900	0	0	0	60,800
	Totals:		68.00	4,863,300	2,597,000	154,400	0	0	7,614,700
Difference: Actual Expenditures minus Total Appropriation									
	0550-01	Ded		(241,300)	(150,300)	(1,500)	0	0	(393,100)
	PERSI Administrative			(5.5%)	(5.8%)	(1.0%)	N/A	N/A	(5.5%)
	0550-02	Ded		(29,300)	(58,300)	(14,600)	0	0	(102,200)
	PERSI Special			(4.4%)	(27.1%)	(81.1%)	N/A	N/A	(11.4%)
	0560-00	Ded		(1,600)	(100)	0	0	0	(1,700)
	Judges' Retirement			(2.6%)	(10.0%)	N/A	N/A	N/A	(2.7%)
	Difference From Total Approp			(272,200)	(208,700)	(16,100)	0	0	(497,000)
	Percent Diff From Total Approp			(5.3%)	(7.4%)	(9.4%)	N/A	N/A	(6.1%)

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2020 Original Appropriation	69.00	0	8,796,900	69.00	0	8,796,900
Sick Leave Rate Reduction	0.00	0	0	0.00	0	(12,300)
FY 2020 Total Appropriation	69.00	0	8,796,900	69.00	0	8,784,600
Removal of Onetime Expenditures	0.00	0	(543,600)	0.00	0	(543,600)
Restore Ongoing Rescissions	0.00	0	0	0.00	0	12,300
FY 2021 Base	69.00	0	8,253,300	69.00	0	8,253,300
Benefit Costs	0.00	0	155,200	0.00	0	(21,000)
Replacement Items	0.00	0	431,700	0.00	0	431,700
Statewide Cost Allocation	0.00	0	1,500	0.00	0	1,500
Change in Employee Compensation	0.00	0	46,300	0.00	0	94,800
FY 2021 Program Maintenance	69.00	0	8,888,000	69.00	0	8,760,300
1. Internal Actuary	1.00	0	183,300	1.00	0	185,100
2. Retirement Specialist Reclassification	2.00	0	153,700	2.00	0	152,100
3. Additional Retirement Specialist	1.00	0	70,600	1.00	0	69,700
4. Directors and Officers Insurance	0.00	0	165,000	0.00	0	0
5. Increased Software License Costs	0.00	0	7,000	0.00	0	7,000
6. Reclassify Investment Officer	0.00	0	64,700	0.00	0	0
7. Increase Unfilled Officer Position	0.00	0	60,900	0.00	0	0
OITS 1 - Operating Costs	0.00	0	0	0.00	0	1,000
FY 2021 Total	73.00	0	9,593,200	73.00	0	9,175,200
Change from Original Appropriation	4.00	0	796,300	4.00	0	378,300
% Change from Original Appropriation			9.1%			4.3%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2020 Original Appropriation					
The Legislature funded six line items for FY 2020: These included \$325,000 for an Oracle database upgrade; \$35,000 for CAFR software; \$50,000 for an onsite training center; \$137,200 for annual software licensing; \$144,600 for an investment officer; and \$6,100 for technology consolidation and modernization.					
	69.00	0	8,796,900	0	8,796,900
Sick Leave Rate Reduction					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends a six-month reduction of funding for employers who contribute to the PERSI-managed sick leave plan. This reduction will begin to draw down the reserve balance, which has grown significantly during the past several years.</i>					
Governor's Recommendation	0.00	0	(12,300)	0	(12,300)
FY 2020 Total Appropriation					
Agency Request	69.00	0	8,796,900	0	8,796,900
Governor's Recommendation	69.00	0	8,784,600	0	8,784,600
Removal of Onetime Expenditures					
This action removes onetime amounts appropriated in FY 2020 before calculating the FY 2021 Base.					
Agency Request	0.00	0	(543,600)	0	(543,600)
Governor's Recommendation	0.00	0	(543,600)	0	(543,600)
Restore Ongoing Rescissions					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends restoration of the sick leave rate reduction.</i>					
Governor's Recommendation	0.00	0	12,300	0	12,300
FY 2021 Base					
Agency Request	69.00	0	8,253,300	0	8,253,300
Governor's Recommendation	69.00	0	8,253,300	0	8,253,300
Benefit Costs					
Employer-paid benefit changes include an 18.9% increase (or \$2,200 per eligible FTP) for health insurance, bringing the total appropriation to \$13,850 per FTP. Also included are a one-year elimination of the unemployment insurance rate, a restoration of the Division of Human Resources rate, and adjustments to workers' compensation that vary by agency.					
Agency Request	0.00	0	155,200	0	155,200
<i>The Governor recommends no increase for health insurance due to fewer claims than expected and changes to federal tax policies; a one-year elimination of the sick leave rate and the unemployment insurance rate; restoration of the Division of Human Resources rate; and adjustments for workers' compensation rates.</i>					
Governor's Recommendation	0.00	0	(21,000)	0	(21,000)
Replacement Items					
PERSI requests \$431,700 in onetime capital outlay for the following replacement items: \$380,000 for servers and storage; \$40,300 for desktop and laptop computers and monitors; \$5,400 for VoIP phones; and \$6,000 for a printer. Of the total amount requested, the Retirement Administration Program requests \$413,700 from the PERSI Administrative Fund and the Portfolio Investment Program requests \$18,000 from the PERSI Special Fund.					
Agency Request	0.00	0	431,700	0	431,700
Governor's Recommendation	0.00	0	431,700	0	431,700

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Statewide Cost Allocation					
This request includes adjustments to recover the cost of services provided by other agencies in accordance with federal and state guidelines on cost allocation. Attorney General fees will decrease by \$3,800, risk management costs will increase by \$800, State Controller fees will increase by \$5,300, and State Treasurer fees will decrease by \$800, for a net increase of \$1,500.					
Agency Request	0.00	0	1,500	0	1,500
Governor's Recommendation	0.00	0	1,500	0	1,500

Change in Employee Compensation

For calculation purposes, agencies were directed to include the cost of a 1% salary increase for permanent and temporary employees.

Agency Request	0.00	0	46,300	0	46,300
<i>The Governor recommends a 2% increase in employee compensation, distributed on merit. He does not recommend a compensation increase for group and temporary positions. The Governor recommends the pay structure for state employees be moved by 3% and includes \$2,900 for that purpose.</i>					
Governor's Recommendation	0.00	0	94,800	0	94,800

FY 2021 Program Maintenance

Agency Request	69.00	0	8,888,000	0	8,888,000
Governor's Recommendation	69.00	0	8,760,300	0	8,760,300

1. Internal Actuary

Retirement Administration

PERSI requests 1.00 FTP and \$183,300 from the PERSI Administrative Fund to hire an actuary to provide ad hoc analysis of the PERSI fund at a lower cost than contracted actuarial services. Of this amount, \$178,300 is for ongoing personnel costs and \$5,000 is for onetime capital outlay for the new employee's computer and workstation. Pursuant to Section 59-1305(4), Idaho Code, the PERSI Board of Trustees retains an actuary on a consulting basis to perform an annual valuation analysis of PERSI's liabilities and reserves. The cost for contracted actuarial services has increased over time as additional analysis has been requested by PERSI's board, staff, members, and stakeholders to evaluate scenarios based on potential policy changes that could affect PERSI's value, amortization period, and contribution rates. From FY 2017 to FY 2019, costs for additional actuarial analysis beyond PERSI's base contract with Milliman for the annual valuation have averaged \$279,523 per year. PERSI contends it is not able to fulfill all requests for actuarial analysis due to cost but would perform more studies if an internal employee with known salary costs could perform the analysis. Additionally, this position would identify opportunities to utilize external actuarial services more efficiently and effectively, and analyze current practices and alternative scenarios to improve the fund as a whole. The agency intends to continue using external actuaries to provide the annual valuation. The agency estimates savings that would more than offset the cost of this employee's salary and benefits while also being able to address more requests for actuarial analysis. The base salary requested is \$135,000. This amount is based on a comparison of public sector actuary positions in similar states and is requested to attract a candidate with the preferred qualifications for this position: a minimum of four years' experience with public pension plans and professional designations of Associate of Society of Actuaries (ASA), Enrolled Actuary (EA), and Member of the American Academy of Actuaries (MAAA). This position was requested for FY 2020 at the same salary rate but was neither recommended by the Governor nor funded by the Legislature.

Agency Request	1.00	0	183,300	0	183,300
<i>Recommended by the Governor with changes for benefits and compensation (\$180,100 in ongoing personnel costs and \$5,000 in onetime capital outlay). The agency is proposing legislation to amend Idaho Code to make the position non-classified. This funding is contingent upon passage of the legislation.</i>					
Governor's Recommendation	1.00	0	185,100	0	185,100

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
2. Retirement Specialist Reclassification			Retirement Administration		
PERSI requests 2.00 FTP, \$143,700 in ongoing personnel costs, and \$10,000 in onetime capital outlay from the PERSI Administrative Fund to create two new retirement specialist positions and provide the employees with computers and workstations. These positions would replace the third-party contractors that currently provide member counseling for the PERSI Choice 401(k) Plan, enabling that contract to be terminated and the two positions to be brought in-house. The reason for this would be to improve customer service by having a single point of contact that could provide members with one-on-one counseling for both their defined benefit (regular) PERSI plan as well as the 401(k) plan. Currently PERSI members have to consult with counselors for these two plans separately. Additionally, there has been customer demand to have more one-on-one counseling around the state, where in the past only group trainings have been offered in which members cannot share confidential information about their personal retirement plans. The creation of these positions would also provide PERSI staff with a path for career advancement from the existing retirement specialist positions to a more advanced retirement specialist role that would require training and certification as well as continuing education.					
Analyst's Note: The current contracted 401(k) counselors are not paid from PERSI's personnel budget. They are funded by fees that are charged to members that opt in to the 401(k) plan. Bringing these two positions in-house would add an additional 2.00 FTP and increase PERSI's ongoing personnel budget, but the agency does plan to allocate the portion of the two positions' salaries that are attributable to the 401(k) plan to be paid by fees charged to 401(k) participants.					
Agency Request	2.00	0	153,700	0	153,700
Recommended by the Governor with changes for benefits and compensation.					
Governor's Recommendation	2.00	0	152,100	0	152,100
3. Additional Retirement Specialist			Retirement Administration		
PERSI requests 1.00 FTP, \$65,600 in ongoing personnel costs, and \$5,000 in onetime capital outlay from the PERSI Administrative Fund to hire an additional retirement specialist and provide the new employee with a computer and workstation. This position would supplement the four retirement specialists that provide counseling and assistance to PERSI members regarding their retirement benefits. The agency currently has two retirement specialists located in its Boise office, and one in each of its regional offices in Pocatello and Coeur d'Alene. PERSI conducts benchmarking analysis to compare its effectiveness and customer service to other public pension systems, and while the studies have found that PERSI's costs per transaction and service scores compare favorably to its peers, one area identified for improvement is to perform customer satisfaction surveys regarding member counseling and calls. Currently, PERSI retirement specialist are at full capacity and adding additional tasks to improve the customer experience will require the addition of another retirement specialist. An additional retirement specialist would also enable PERSI to provide local on-site service to large public employers.					
Agency Request	1.00	0	70,600	0	70,600
Recommended by the Governor with changes for benefits and compensation.					
Governor's Recommendation	1.00	0	69,700	0	69,700
4. Directors and Officers Insurance			Retirement Administration		
PERSI requests \$165,000 in ongoing operating expenditures to purchase directors and officers insurance to provide indemnification for its board's trustees and officers. Section 59-1305, Idaho Code, establishes the powers and duties of PERSI's Board of Trustees and provides indemnification for them in the course and scope of their official duties and functions. Additionally, the statute states: "Any defense and indemnity provided under this section shall be an expense of the trust, and the board is authorized but not required to purchase insurance to protect against such risks notwithstanding any other provisions of law." The board has not chosen to purchase insurance of this kind in the past, but the current trustees feel it would be prudent to have it in place to protect them against liability since such insurance is authorized by law.					
Agency Request	0.00	0	165,000	0	165,000
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
5. Increased Software License Costs			Retirement Administration		
PERSI requests \$7,000 in ongoing operating expenditures for increased annual software licensing costs for its Microsoft and OnBase applications. The agency currently has an ongoing appropriation of \$135,000 for its software licensing. This increase would bring the total to \$142,000 per year.					
Agency Request	0.00	0	7,000	0	7,000
Governor's Recommendation	0.00	0	7,000	0	7,000
6. Reclassify Investment Officer			Portfolio Investment		
PERSI requests \$64,700 in ongoing personnel costs from the PERSI Special Fund to reclassify an investment officer to a supervisor position that would manage the newly created investment officer position authorized and funded in FY 2020, as well as administrative staff in the Portfolio Investment division. Of the amount requested, \$53,100 is for salary and \$11,600 is for benefits. A market comparison of salaries for similar investment officers for pension funds in neighboring states show that Idaho's investment officer is well below industry averages. Related to this request, the agency has been unsuccessful at recruiting a new junior investment officer at the salary rate at which the position was approved and funded. The agency is requesting an increase for the unfilled position in FY 2021 in line item 7. Initial recruitment efforts to fill the junior position have shown that a significant increase will be needed in order to attract a qualified candidate. This would create a salary compression issue with the current investment officer, necessitating the reclassification to supervisor and commensurate salary increase.					
Agency Request	0.00	0	64,700	0	64,700
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
7. Increase Unfilled Officer Position			Portfolio Investment		
PERSI requests \$60,900 in ongoing personnel costs from the PERSI Special Fund to raise the salary rate for a newly created investment officer position from \$100,000 to \$150,000. The position was approved and funded in FY 2020, but initial national recruiting efforts have shown that the agency cannot attract experienced, qualified candidates for less than \$150,000 as other state and pension fund systems offer more competitive salaries for less senior positions. Of the amount requested, \$50,000 is for salary and \$10,900 is for benefits.					
Agency Request	0.00	0	60,900	0	60,900
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
OITS 1 - Operating Costs					
Agency Request	0.00	0	0	0	0
The Governor recommends this agency's share of ongoing funding to pay the Office of Information Technology Services for security software and data center office space located at the Chinden Campus.					
Governor's Recommendation	0.00	0	1,000	0	1,000
FY 2021 Total					
Agency Request	73.00	0	9,593,200	0	9,593,200
Governor's Recommendation	73.00	0	9,175,200	0	9,175,200
Agency Request					
Change from Original App	4.00	0	796,300	0	796,300
% Change from Original App	5.8%		9.1%		9.1%
Governor's Recommendation					
Change from Original App	4.00	0	378,300	0	378,300
% Change from Original App	5.8%		4.3%		4.3%